

Realty Trust Review

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INVESTMENT SELECTION & REVIEW ISSUE

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INVESTMENT SELECTION & REVIEW: SHOULD YOU TAKE PROFITS AFTER THE RECENT RUNUP?

Nothing is so delightful as the prospect of taking profits in a stock -- especially in such a dismal year for most stock investments. And nothing is so difficult as picking the right time to sell a stock, be it REIT or otherwise.

So the runup in REIT share prices the past two weeks raises twin questions. Should buyers at much lower prices take profits now? And should investors make new commitments at today's elevated prices -- even though many REITs have retreated from their highs?

Market action of REITs in the week ending Dec. 2 was stunning. Nearly half -- or 28 of 62 listed trusts -- hit new 1977 highs and for many they were highs for the past three years. REITs accounted for slightly over 10% of the new yearly highs on the two exchanges, even though they account for less than 2% of all traded issues. Until that week the REITs had been outperforming the market by a wide margin -- up 11% through our Nov. 18 pricing vs. a 17% decline in the Dow-Jones Industrials and an 8% spill for the NYSE composite index.

All this draws great attention to the REITs. Stock brokers are asking what issues should be bought or sold, the names of overlooked buy candidates, and any other idea that might stimulate business. A good number of fund managers, stock market technicians and other professionals are also taking a fresh look at the industry

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to see if the recovery widely heralded by Forbes and other magazines is really real. And some investment services have suggested nailing down profits in stocks like Sutro Mtg., one of the bigger gainers this year.

Very candidly, investment publishers like ourselves always delight in telling subscribers to take profits, for this amounts to an implied endorsement of a previous recommendation. The excuse generally used is that no one can go broke taking profits. Yet with commissions to individuals generally running a hefty percentage of low-priced stocks -- and most big percentage gainers have been the cheapies -- the turnaround costs are often so large that you can, indeed, make very little by taking profits.

Long-time subscribers will recall that we've been urging selectivity, both in the speculative recovery candidates and in the sturdier dividend payers. That same view holds now. We cannot give a blanket sell opinion now, anymore than we have ever issued a blanket buy. The tide is obviously rising for REITs but those with breeched hulls won't rise with the rest of the fleet. Two things should be remembered in picking your market tactics now:

1. A lot of REITs aren't REITs anymore. They have dropped their REIT status and now operate as business trusts taxable as corporations. This means they are under no compulsion to resume paying dividends even if they begin earning again. Right now an even 60 of the 131 trusts we monitor closely are non-qualified business trusts and another two-three likely will give up qualification in coming months. You can pick up the names of these non-qualified business trusts from RELATIVE APPEAL RANKINGS (latest listing Nov. 11 issue). The clear message: Investors booming prices of recovery candidates in hopes of getting dividends sometime soon may be bitterly disappointed. Don't be misled on this score by a broker.

2. Banks may get the lion's share of future earnings gains for many recovering trusts. Last week's market surge was aimed at trusts at or near break-even earning. There appears to be virtually no recognition of the fact that credit agreements for many of these trusts call for banks to get all future profits (in the form of higher interest) until the trusts are able to pay full market interest on their still-high debt. Many credit agreements are set up so trusts pay the greater of their net taxable income or a base interest rate (2%-4% is common) as interest. Once a trust's earnings reach that minimum, all earnings gains beyond the minimum rate up to some higher rate (commonly 130% of the prime rate) go to banks as interest.

It works like this, using Continental Illinois Realty (NYSE-CIR), one of last week's new high stocks, as illustration. CIR essentially operated at break-even in both the June and Sept. quarters, ignoring a \$1.31/sh. gain on swap of assets with banks in the Sept. quarter. But CIR broke even not because its portfolio is doing that much better but because it signed a new credit agreement, effective May 1, 1977, that cut its minimum interest rate from 4% to 1% on bank debt. For CIR, interest is the greater of net taxable income for Federal tax purposes or net income for reporting purposes, not to exceed 130% of the prime rate. CIR actually paid the 1% interest, including amounts capitalized, in the Sept. quarter, indicating the portfolio must generate about 9% more (to 130% of the prime rate, or 10.075%) before CIR earnings available to shareholders can move above break-even. CIR has been swapping big bundles of assets with its banks and has now paid banks down to below \$119 million, about half the peak \$222 million, and pending swaps and paybacks will cut this to \$86 million. But \$25 million of 7-5/8% subordinated notes come due in about two years, Dec. 15, 1979, and CIR must either extend or restructure these notes, or repay banks completely, by that date to settle with creditors fully. Swap gains to date have built shareholders' equity back to about \$1.43/sh. and pending swaps could boost this to about \$2.85/sh. by Dec. 31. But with the shares bounding ahead to 3-3/4 lately,

investors seem to be paying an enormous premium for what shapes up as a very long convalescence at best. Non-REIT status may be sought. Last Aug. 12 we saw the shares at $2\frac{1}{4}$ as a "worthwhile speculation" and while some small swap gains may be banked in quarters after Dec., we think traders might want to accept the 66% capital gain.

Because price changes have been so large in many issues recently, we present below brief comments on some of the listed trusts making new 1977 highs last week and three suggestions from among trusts that seem attractive now.

American Century Mtg. (NYSE-ACT) touched its highest price in two years, $3\frac{1}{2}$, before falling back to around 3. Management is thorough and deliberate and has re-stored a large block of about \$41 million assets in Arlington, Va. to full or partial earning status. But it still has a large block of nonearning assets including about 18% in land. Interest on bank debt is at 5% minimum and ACT is reporting diminishing losses at that rate; once earnings get back to breakeven, presumably further gains would go to banks. ACT has remained qualified as a REIT so would be required to pay dividends if earnings were restored. Shares are viewed as longer-term recovery speculations, suitable mainly for dividend seekers, toward book value of about \$5.42/sh., which includes some swap gains.

C.I. Realty (NYSE--CIX) zoomed to $10\frac{1}{8}$, double the highest price of the last three years. It's fallen $1\frac{1}{4}$ point since. CIX is mainly a play upon resurgence in Manhattan office space, which has tightened dramatically since last spring when a major vacant building was sold to institutions. CIX holds three Manhattan offices with 1.5 million sf at a favorable cost basis and reports leasing has picked up in recent months. It also owns apartments and a shopping center, along with a residue of foreclosures and problem loans left over from earlier mortgage lending. Bank creditors have been paid down to the point where they pose no threat, and there is no subordinated debt to worry about. The trust has disqualified, so don't expect dividends soon. Block buying has been especially strong in this issue. CIX's portfolio is perhaps the REIT industry's best candidate to follow the lead of other large operators (Tishman, Dayton Hudson Properties) to sell large blocks of major properties to institutions. On a price comparable to Tishman, CIX shares might be worth \$15-\$20, provided management could start generating earnings. We've been calling this a long-term recovery or buyout candidate; we see no reason to change, nor to disturb positions here.

Cameron-Brown Investment Group (NYSE--CB) losses have narrowed in recent quarters, although the trust didn't add to the loss provision in the nine months through Sept. because trustees judge the reserve adequate at 11.2% of investments. Book value has held at \$7.90/sh. after the reserve. CBIG signed a new credit agreement with banks recently giving it a 4% interest rate on \$101 million of bank debt, vs. the prime rate. All income over this minimum goes to banks as additional interest. CBIG reported losing \$1.10/sh. in the nine months to Sept. 30, vs. \$2.25/sh. in 1976, with nearly all the improvement due to the lower interest rate. The new credit agreement lets CBIG start a swap program for the first time and first swap bids from banks are due Dec. 12. But in view of bank hardness on swaps, we'd not look for any great recapture of the reserve. The new credit also gives the trust a shot at winning cancellation of up to \$6 million (or \$2.98/sh.) accrued interest for amounts repaid to banks over \$20 million through 1978. \$13.5 million has already been repaid through Oct. 1977. We'd not bet on any substantial bonus cancellation however. Capital structure is clean with no subordinated debt and expiration of warrants Nov. 15, 1977. However the trust may issue certain non-cash financial instruments to banks. All in all, there seems to be some further recovery potential toward a book value that may stabilize at about \$7/sh., ex any swap gains.

Cousins Mtg. & Equity Investments (NYSE--CUZ) moved over 2 and out of a long trading range when it reported preliminary earnings of 60¢/sh. including a 25¢/sh. gain on asset swaps to banks in the August quarter, last of its fiscal year. But results are preliminary and depend upon banks signing a new credit agreement lowering CUZ interest to 2% (from 4%) for calendar 1978 and 1979 (the current agreement expires Dec. 31). Approval process may take some time. The interest rate is crucial because if banks balk, a higher rate could force the trust to increase its loss reserve, which stood at \$49.8 million, or 23.7% of portfolio, at Aug. 31. CUZ swapped over \$100 million assets, mainly income properties, to banks and has a few more swaps in process. But it is left with about 40% of its holdings in land and additional progress will require either that banks take a lot of land in future swaps or that the trust dispose of this land. Operating losses could continue until the land is jettisoned, and if CUZ reaches break-even operations, future profits would go to banks as interest. Shares have nominal book value after the reserve, and unless there's more here than we can see, the shares look high.

Diversified Mortgage Investors (NYSE--DMG) has had outstanding success with its swap program, cutting bank debt over half and reporting \$1.43/sh. swap gains in the nine months through Sept.; DMG lost 38¢/sh. in the nine months after these swap gains. More swap gains are in store in the Dec. quarter and bank debt could be cut below \$100 million. Further debt reduction will be "slow and difficult." But \$25 million of this latest debt reduction is coming from repayment of a major earning loan; once this is repaid, DMG says its cash flow will be sharply curtailed and the trust will likely have to borrow additional funds to sustain operations while carrying out an orderly liquidation. It has discussed repaying bank debt at a discount now if it can persuade a financial institution to refinance the entire operation. DMG's credit agreement must be extended March 31, 1978, and some remaining banks have said they wanted to renegotiate the agreement to impose heavier interest and repayment requirements. DMG accrues interest on bank debt at 7½%, with 1% payable monthly in cash, a 2% component payable each March 31, and a 4½% component due March 31, 1980. Payment of the 2% components (totaling about \$6.6 million) due March 31, 1976 and 1977 was deferred until March 31, 1978. DMG has invested mainly in secondary and primary homesite communities, plus urban income properties and mortgages. Insiders have been buying here and book value has remained at \$5.51/sh. after the heavy loss reserve equal to \$8.10/sh. and 27% of investments. Even so, workout is long-term and chancy and we think there are better recovery prospects around.

Equitable Life Mtg. & Realty (NYSE--EQ) reported Oct. quarter earnings down to 48¢/sh., vs. 60¢ the previous quarter. The quarter was hurt by several year-end items as EQ finished its fiscal 1977: two loans were added to the nonaccrual list, costing 23¢/sh. reversal in previously accrued interest; an earning long-term mortgage was prepaid to add 19½¢/sh. to income by recognizing the market discount; and 7¢/sh. was added to the loss reserve, half the final quarter addition in 1976. Substantially all EQ's new investments have been short-term construction and development loans in recent years and the trust appears to be reaching the limit of its potential fundings if leverage is to be kept at a modest level. Shares have backed off their 1977 highs but still are at a modest premium over net asset value. They are viewed as income vehicles with somewhat higher risk as short-term investments rise.

Hubbard Real Estate Investments (NYSE--HRE) has achieved excellent results in re-leasing ten stores vacated when W.T. Grant went bankrupt in 1976. About 8½ stores have been re-leased, generally at higher rents, although payments on some space won't begin until mid-1978. The trust reversed about 44¢/sh. of the previously-provided reserve in the Oct. quarter to recognize this accelerated rent-up, and boosted the quarterly payout 1¢ to 32¢. HRE thus emerges from the Grant pause with one of the industry's largest equity bases, nearly \$90 million, and virtually no debt. The market surge says investors are expecting the dividend to return near its old high of

\$1.60 annual rate. The main attraction to the shares at current levels is potential for leveraging that large equity base via purchase of additional properties.

Institutional Investors Trust (NYSE--INV) hasn't been able to liquidate and/or restore assets quickly enough to keep high interest costs from eroding shareholders' equity to its current \$4.68/sh. Insiders have been buying but we'd not be excited until further asset disposition progress is shown.

MassMutual Mtg. & Realty (NYSE--MML) continued its slow recovery in the October quarter. New commitments are being made selectively and a high percentage of fixed-rate long-term capital gives the trust protection against rising interest rates. Given time, we expect these shares to sell near book value of about \$19.44.

INVESTORS REALTY TRUST (8--ASE-IRT) FY Nov. 30

Real estate investments: After holdings declined only 8% from the peak \$61.6 million back in February 1975 to \$57 million this August, the trust has undergone major changes to improve its earning power and dividend paying ability. Not all negotiations have been completed as transactions and some sales must await operating performance to judge changes in earning status. And concise compilation must await publication of the Nov. yearend statement to summarize the pro forma picture. On August 31, the \$57 million portfolio was 79% properties (70% owned and 9% land/purchase lease-backs), 13% mortgages and 8% foreclosures. The big transaction was sale of Parc Fontaine Apartments in Sept. for \$10 million at a \$1.35 million gain. This reduced the portfolio about 16%. Since these apartments were earning, the benefit comes through debt reduction. Progress with the non-earning sector will be more meaningful to profits. August ended with about \$18.5 million non and low earning assets as follows: \$1.6 million in a non-earning loan, \$4.4 million in foreclosures, \$7.8 million in ownership of Club Candlewood Apartments and \$4.6 million in a land leaseback (including the \$3.9 million mortgage) in Ramblewood Apartments. The \$1.6 million loan is on 68 acres in Lauderhill, Fla. On a cash basis, this loan is again current with apparently a better chance of staying that way.

Good progress was made with foreclosures. The \$1.3 million Escape Hotel, Ft. Lauderdale, Fla., was sold with a significant purchase money mortgage. The trust netted \$1.5 million with gain to be deferred as the buyer is converting it to time shared condominiums and future earning status must await results. The \$1.5 million in 83 industrial acres outside Dallas, Texas was sold for cost. Also with a purchase money mortgage, this loan is earning with hot demand for Dallas industrial acreage making this valid. There was \$1.2 million in Nashville, Tenn. condos and 20 acres. The condos were sold leaving only about \$400,000 in land. The area is exceptional making the land developable as the next stages of the condo project. There is also \$250,000 over mortgages in a Ramada Inn, Fort Pierce, Fla. which they are trying to sell. Thus \$650,000 is left in non-earning foreclosures. Of the two non-earning properties owned, a contract was entered to sell the Club Candlewood Apts., Atlanta which will recoup the investment. The \$751,000 land leaseback on Ramblewood Apts, Glen Ellyn, Ill. was converted to a partnership with the trust getting a preferred return. All but two units are rented enabling a low return. With the area getting hotter, nearby buildings have turned condo. Thus the property category is left with \$751,000 low earning, the leaseback's mortgage being covered.

In summary, we can look for the portfolio to be worked down to about \$39 million in a few quarters when all deals close with non and low-earning assets to be only \$1.4 million if all progresses reasonably well. The portfolio's character will change. Apartments will be down to about 30% of holdings from 54% before the sales began and shopping centers will rise to about 20% from 15%. Earning mortgages will rise from taking back paper to about 15% from 10%. The portfolio will be quite viable as is and provide the basis for future growth.

Loss reserve: The trust had \$641,000 left in its loss reserve in August, 0.1% of holdings. Given the advanced stage of workout, this could prove adequate.

Financing: The August balance sheet is obsolete and the new statement for year-end is in audit. Giving rough effect to sale of Parc Fontaine, total debt on Sept. 30 was down to \$30 million and equity up to \$18 million making the leverage ratio 1.7-to-1. From this and other payments, short-term bank debt was down to \$6.5 million from \$11.3 million, remaining \$24 million debt being secured mortgages. Interest on the bank debt, now with only two banks, is $\frac{1}{2}\%$ over prime plus compensating balances of 20% of borrowings or 10% of the line.

Management & REIT status: The trust is managed by an adviser owned since Oct., 1976 by a subsidiary of Thomson McKinnon Securities, the brokerage firm. The trust has remained qualified as a REIT since founding.

Results & outlook: A 14¢/sh. deficit was incurred in the August quarter vs. a 1¢ loss in May. Expenses were incurred in readying apartments for sale and the August quarter is seasonally poorer because of the two resort hotels. Significantly better results should begin showing up in a quarter or two reflecting reduction of problem assets. The composition of cash flow is changing because of loss of depreciation from sale of two large apartments. Improving earning power is already reflected by resumption of quarterly dividends with 12 $\frac{1}{2}$ ¢ payable Jan. 1. The trust is well on its way to normalizing return on book value at 8-10%. The shares only partly reflect this with their strong performance this year and still have somewhat above average attraction at 30% below \$11.25 book value including the recent capital gain.

WESTERN MORTGAGE INVESTORS (3--BOS/OTC-WMTGS) FY Feb. 28

Real estate investments: The portfolio was reduced 16% in the August quarter to \$18 million by sale of the trust's largest holding, its \$3.2 million office building in Arlington, Va. This was the first big change in nearly two years. Holdings now stand at 46% earning loans including 8 $\frac{1}{2}\%$ residential, 11% apartment, 6% single family, 6% land, 5% mobile home park; 13 $\frac{1}{2}\%$ non-earning loans including 12% land; 20% earning property including 17% shopping centers; 9% partially earning property- all apartment/condominiums, and 11% non-earning property including 5 $\frac{1}{2}\%$ land, 3% mobile home park, 2 $\frac{1}{2}\%$ condos. Holdings are scattered geographically, mostly in the southern tier.

The problem categories are limited and undergoing good workout progress, as befits a small trust which made small deals usually in participation with local institutions which in turn provided workout background where necessary. Non-earning assets were 25% of holdings on Aug. 31 and low earnings 11%. The compact list of all 18 problem loans and properties is detailed in the trust's interim reports. All of the \$2.5 million non-earning loans are progressing to some degree. The largest is \$670,000 on 53 acres zoned single and multi-family. A new developer has gotten sales with good demand for \$40,000 homes in the area, this loan is becoming partially earning. A \$434,000 land loan in Canton, O. has gone forward with buildout and lot sales to where no loss reserve was taken. A \$399,000 land loan in Austin, Texas was converted to a partnership with ground broken for an apartment house. A \$342,000 land loan in the northeast section of Atlanta is going very well with lot sales at a price to recover principal. The smaller loans are having similar success which should show up in the next few quarters except for a promising parcel which has active adjoining activity which prompts the trust to develop it. There is \$1.7 million partially earning real estate owned. A \$992,000 condo conversion, fully leased and earning 1.7%, is selling slowly, now 30% sold. Full recovery is seen. A \$708,000 apartment in Atlanta has gone well and becoming earning. The \$2.1 million non-earning real estate was reduced \$559,000 this quarter. Two more projects for \$432,000 are

under contract with mostly full recovery. There are two remaining significant properties. A \$533,000 mobile home park in Athens, O. became over 60% leased and now earns 2-3%. A \$442,000 foreclosure of 29 acres in St. Louis, Mo. is being considered for development as a joint venture.

Some new, small investments are being made. Gross assets should rise \$1.5 million this quarter.

Loss reserve: The trust reserved \$906,000 for losses, 5% of holdings. While below the industry average, this could prove adequate given the progress in resolving problems.

Financing: Total debt of \$9.8 million was 1.3 times \$7.7 million equity. Interest on demand bank borrowings is $\frac{1}{4}\%$ over prime. Borrowing for new investments is at 2% over prime.

Management & REIT status: The trust's adviser is independent. The trust has remained qualified as a REIT since founding.

Recent results & outlook: In the August quarter, 1¢/share was lost operationally but an 84¢ capital gain was derived from the sale of the Arlington office. Now firmly cash flow positive and edging into profitability after depreciation, at least further moderate improvement is likely the next few quarters. Workout progress appears mostly a question of whether the land position is sold or developed. Longer term, the trust will continue on its course of becoming a hybrid, the extent of growth depending on what circumstances will allow an independent, very small trust. In any event, the shares are relatively undervalued at 60% below \$7.66 book value, increased by the capital gain covered by previous tax recognized losses. Dividends should be resumed within a year. A very small situation, shares are being increased to "2" relative ranking.

U.S. REALTY INVESTMENTS (5 $\frac{1}{4}$ --NYSE-UTY) FY Dec. 31

Real estate investments: Holdings were \$101 million on June 30, down 25% from the peak two years ago. Most of the reduction has taken place in the mortgage and foreclosed loan category which has been reduced 42% these two years to \$40 million. This has left the property sector, always the heart of the trust, even more important. Depreciated property owned was \$55 million, 57% of all holdings' book value but even more important on a market value basis. Properties had gross value of \$86 million being purchased in the 1960s with the exception of joint ventures. This accounts for sharply depreciated value. Mix by gross cost was 35% motels, 35% shopping centers, 25% office and 5% miscellaneous. Most properties are sound earners but overall return was held down in recent years by drains from a few unprofitable motels. Most motels are net leased and operated under franchise, five Howard Johnson, two Marriott and one Sheraton. The Howard Johnsons are roadside (tourist oriented) and the others business and convention oriented. The nine motels have 1,640 rooms. The two with problems are pretty well turned around. The St. Louisian, St. Louis, Mo., has been breakeven in the second half of 1977 after heavy losses in 1976. Opening of the city's convention center has helped lately. A new franchise is still being negotiated. The South Lodge tourist motel in Atlanta continues to improve after its dramatic turnaround from heavy losses. The trust owns three shopping centers and 50% of a fourth giving it 3.5 million sf leasable space. The two largest centers are \$11 million Lakewood shopping center in Lakewood, Cal. with 2.3 million sf and \$10.7 million Universal Mall, Warren, Mich., 512,000 sf. Lakewood is an older center but still growing. Universal is a great success, 100% occupied and very healthy. The newest, the joint venture with Forest City Enterprises in 520,000 sf Summit Park Mall, Wheatfield, N.Y.,

is established with good potential. Already 100% occupied, another department store is being added with over 150,000 sf and an additional 90,000 sf are being provided for other tenants. This center, already providing overages, is part of 1,400 acres being developed for multiple use in the Niagara Falls-Buffalo area. While the trust is not developing on its own, it obtained 11% ownership in Rouse's coming center, Cedar-Richmond, Beachwood, O., by selling its 31% interest in 65 acres at cost, in effect trading the markup to market value into an equity position. Office buildings are headed by Terminal Tower, Cleveland, with 462,000 sf office space and 109,000 sf mercantile space. Built in 1932, it is the trust's only older property but in choice location and 98% leased. All the properties are cash flow positive in 1977.

The mortgage and foreclosed loan sector was reduced another \$4 million, 9%, in the September quarter to \$40.2 million. On September 30, the makeup was 22% accruing loans, 38% partially earning loans and 40% non-earning loans of which half were foreclosed. The mortgage mix at the start of 1977, altered slightly now, was 26% condos, 20% land, 17% shopping centers, 14% apartments, etc. Geographic concentration was 34% Florida and 21% Ohio. While the percentage of problem loans has remained about the same the past year or so, the big thing is the absolute amounts have been worked down. This trust has thus defied the fears that trusts would only get good loans paid back and be left with the bad. Instead UTY has had non-earning loans upgraded to low earning and disposed of low earning or converted them to earning. It stayed with most borrowers and progressed further in workouts than it would have been able to do on its own. Together with improved real estate conditions, progress has been better than expected and early judgement is being vindicated. The most troublesome and only uncompleted project is Sandy Hills condos in Puerto Rico at \$2.6 million. Construction resumed on this 70% completed project and although not foreclosed, it is under control with sales resumed. There is even hope for much of the foreclosed land which should be sold close to investment cost.

Holdings will continue declining for a while until most problems are worked out, maybe a year or two. Growth could then resume along lines to be determined by circumstances.

Loss reserve: There is a \$6.8 million reserve for losses, 17% of mortgages. Given the progress with some difficult situations already requiring little chargeoffs, there is some basis to expect recovery of some of the reserve.

Financing: Total debt of \$85 million was 6.3 times equity of \$13.6 million at mid year. Some 45% of debt is secured by mortgages. Short-term debt was cut 17% in the first half to \$36 million with reduction on target for the \$25 million goal by yearend. Interest on bank borrowings accrues at 125% of the prime interest rate payable at the greater of 5 3/4% or net cash flow.

Management & REIT Status: The trust is managed by an adviser owned by principals from a Cleveland law firm. REIT status was relinquished in 1975.

Recent results & outlook: In the September quarter, the trust had a 4¢/share operating loss before a 12¢ capital gain. This narrowed the operating loss from 6¢ in the June quarter. But more important for an equity trust, operational cash flow was positive the last three quarters. The December quarter will suffer from some hotel seasonality but the operating thrust is up. Higher interest rates are the main adversity for present earning comparisons but being mitigated by short-term debt declining. Restoration of positive cash flow and pending earning profitability have not been lost on the market with the share price partially discounting the recovery. Longer term, however, there is still value from here well below the share's \$4 book value plus \$9 depreciation reserve.